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Performance analysis of sharia commercial banks in Indonesia before the covid pandemic period (2015-2019)



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ABSTRACT

Overcoming the impact of the Covid pandemic on Islamic banking in Indonesia, management must take strategic steps based on predictions and previous performance identification. Identify performance, information on the factors that affect the performance of Islamic banking in Indonesia is needed. Several aspects that are considered to affect Islamic banking performance that management must consider are capital, liquidity aspects, credit risk, and efficiency. This research examines the influence of the aspects of capital (Capital Adequacy Ratio and Third-Party Funds), liquidity (Finance to Debt Ratio), credit risk (Non-Performing Financing), and operational efficiency (BOPO) on the performance of Islamic banking in Indonesia 5 (five) years before the Covid pandemic occurred in Indonesia (2015-2019). The results showed that these five aspects had a simultaneous effect on Islamic banking performance in Indonesia, with a termination coefficient of 94.4%. Of the five variables, CAR, FDR, NPF, and BOPO significantly affect performance, while TPF has no significant effect on performance (Return on Assets).

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Introduction

The Covid pandemic has forced all lines to reorganize the economy and prepare strategies to survive. Business sustainability is tough homework for the banking industry, especially Islamic banking, in Indonesia. There are concerns that conventional banking can withstand a crisis better than Islamic banking. Until now, Indonesia's Islamic banking industry has the position is still under conventional banks in terms of market share, performance, capital, and liquidity. (Republika, 2020a).

Indonesia implements a "dual banking system" by owning conventional banks and Islamic banks. Islamic banks in Indonesia were founded on the legal basis of Law Number 7 of 1992 and re-regulated by Law Number 10 of 1998. Subsequently, the development of Islamic banking grew significantly. As of March 2020, Sharia Commercial Banks' position has reached 14 units, Sharia Commercial Banks have reached 20 BUS, and Sharia Business Units have reached 20 UUS, while Sharia Rural Banks have reached 163 BPRS.

The following is data on the assets of the Islamic financial industry in Indonesia. Data were taken from the Financial Services Authority (OJK) in January 2019. Data taken from the website of the Indonesian Financial Services Authority in January 2019 shows the assets of the Islamic financial industry reached 1,291.48 trillion consisting of 651.29 state sukuk assets or around 50.4%, Islamic Banking assets of 479.17 trillion or around 37, 1%, Islamic insurance assets amounting to 43.12 trillion or about 3.34%, Islamic mutual fund assets amounting to 47.3 trillion or 2.89, non-bank Islamic assets amounting to Rp. 32.43 trillion or about 2.5%, Islamic financing assets amounting to 25.61 trillion or 1.99% and the last is corporate sukuk assets amounting to 22.56 trillion or 1.78% (Katadata, 2020).

The asset calculation data above does not consider the capitalization of the Islamic stock market worth Rp 3,861.7 trillion (Katadata, 2020). Specifically, the development of Islamic banking assets as of March 2020 has increased by 536.60 trillion, consisting of

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349.95 trillion Islamic commercial banks, 172.61 trillion Islamic business units, 14.04 trillion Islamic public finance banks (OJK, 2020a).

Although the significance of Islamic banking development in Indonesia is quite good views from the growth of assets and growth in the number of banks, in the competition of the domestic financial industry, Islamic banking in Indonesia still has to try hard. From the country's financial industry's market share, Islamic banking has only received a market share of 5.99%. The market share figure is very small if it is seen that Indonesia is the majority of the population is Muslim.

With the data above, Islamic banking in Indonesia must work harder to improve performance and take strategic steps to save businesses from the impact of the Covid pandemic in Indonesia. Looking at the position of Islamic banking compared to conventional banking, the biggest challenges facing a pandemic include liquidity, non-performing credit risk, and third party funds. (Republika, 2020b). When viewed from a comparison of several bank health ratios, the position of Islamic banks in Indonesia is still below conventional banks such as the average capital ratio is 20.36%, while conventional banks are 21.67%. Another ratio is Return on Assets (ROA) with a ratio of 2.02% Islamic commercial banks, while the average of conventional banks in Indonesia is 2.57%.

Maintenance performance during crisis times, Islamic banking management can use past data, present data, and future predictions. Previous Islamic bank performance and the factors that influence it can be used as a good source of data to formulate further strategies.

Based on the matters presented in the above background, this study measures the effect of several banking health ratios, namely Capital Adequacy Ratio (CAR), Third Party Funds (TPF), and Operating Income Operating Costs (BOPO), on banking performance by using the ratio of Return on Assets (ROA). The research was conducted on Islamic banking in Indonesia, especially Islamic Commercial Banks, with 5 (five) years before the pandemic occurred, namely 2015-2019.

Literature Review

Evaluation of the health of banking in Indonesia uses the guidelines of the Bank Indonesia Regulation on the assessment of the soundness of commercial banks, namely number 13/1/2011 The guideline regulates banks in Indonesia to conduct their own soundness assessment using a risk approach (risk-based Bank Rating-RBBR), both individually and collectively. By knowing each Bank's soundness level, it is expected that the bank management will have an overview in formulating a fund strategy for future business directions to improve bank performance. (Ikatan Bankir Indonesia, 2015)

Assessment of the soundness of the Bank includes assessing:

- i. Risk Profile
- ii. Good Corporate Governance (GCG)
- iii. Rentability (earnings)
- iv. Capital (capital)

The risk profile consists of credit risk, market risk, operational risk, liquidity risk, strategic risk, compliance risk, legal risk, reputation risk, and risk profile rating. Good Corporate Governance (GCG) consists of the structure, process, results, and ratings of GCG. Rentability consists of performance, source, sustainability, and rentability rating. Meanwhile, capital soundness consists of the adequacy level, capital management, and capital rating (Ikatan Bankir Indonesia, 2015).

Based on Bank Indonesia guidelines number 6/23 / DPNP, which was promulgated on May 31, 2004, to assess the soundness of a bank in terms of its ability to generate profits, including return on assets (ROA), return on equity (ROE), a comparison of the number of operational costs with operating income, growth in operating profit, diversification of income, the composition of earning assets portfolio, implementation of accounting principles in recognition of income and potential operating profit.

With a well-measured level of health, banking performance will improve. Banking performance concerns the study of profitability. Measurement of banking work performance usually uses the ratio of return on assets (ROA) and returns from Equity (ROE).

The measurement of profitability through the ratio of both return on assets and return on equity involves other internal management and external conditions for each Bank. Internal conditions, for example, are also influenced by the amount and composition of capital, liquidity conditions, management of banking operations, and the level of bank credit risk.

Measuring the level of profitability and profitability of a bank usually uses a ratio that measures the return on the assets of an entity (Hery, 2016). ROA is a measurement of the achievement of a bank's financial performance resulting from its total assets in generating profits less the tax liabilities concerned. The formula is profit minus tax costs then divided by total assets (Sartono, 2001)

The greater the return on assets (ROA), the healthier the Bank is. This is because ROA shows banking performance (Husnan, 1992). The Indonesian government regulates the minimum limit of healthy ROA is 1.26% with the guidelines of the Central Bank of Indonesia number 9/24 / DPBS / 2007 for Islamic banking.

Bank Capital

Assessment of the capital factor (capital) includes assessing the level of capital adequacy and capital management. (Indonesian Bankers Association, 2016). Several ratios are used to monitor the Bank's capital position, one of which is the CAR (Capital Adequacy Ratio). (Ikatan Bankir Indonesia, 2016).

Based on regulation Number 13/24 / DPNP promulgated by the Central Bank of Indonesia on October 25, 2011, CAR (Capital Adequacy Ratio) is a ratio that shows how much risky bank assets (credit, investment, securities, claims on other banks) are involved—financed from own capital in addition to obtaining funds from sources outside the Bank. The CAR ratio is obtained by dividing the formula for capital divided by weighted assets according to a ratio (RWA).

Based on the Financial Services Authority Regulation Number 21 / POJK.03 / 2014 concerning the level of minimum capital availability required for Sharia Umum Banks in Indonesia are as follows:

- i. 8% (eight percent) of the Risk-Weighted Assets (RWA) for banks with risk profile rating 1 (one);
- ii. 9% (nine percent) to less than 10% (ten percent) of RWA for banks with risk profile rating 2 (two);
- iii. 10% (ten percent) to less than 11 (eleven percent) of RWA for banks with risk profile rating 3 (three); or
- iv. 11% (eleven percent) to 14% (fourteen percent) of RWA for banks with risk profile rating 4 (four) or rating 5 (five).

The level of capital availability as measured by the CAR ratio shows a bank's potential ability to generate profits as the results of the study; (Zahrah et al., 2019); (Anggreni, 2014); (Shamki et al., 2016); (Nahar & Prawoto, 2017); (Kinanti, 2017); (Amelia, 2015); (Hantono, 2017); (Sabir et al., 2012); (Chou & Buchdadi, 2016) and (Alshatti, 2016). Research with the opposite result was carried out by (Sudiyatno, 2013); (Wibowo, 2013), while research (A. Rifqah & Hassan, 2019) got significant adverse results.

Liquidity

Banks need to maintain their level of liquidity in order to maintain customer confidence. A bank that is ready and sufficient to fulfill customer requests in withdrawing funds will maintain customer confidence in the Bank. (Ericson Leon Boy Sonny, 2007). The importance of banking liquidity was also a concern of the Indonesian government during the pandemic crisis. (Handayani, 2020).

The level of liquidity is generally measured by the LDR (Loan to Deposit Ratio). Because sharia does not recognize the term credit, Islamic banking measures the level of liquidity with a financing ratio, namely the Financing to Deposit Ratio (FDR) (Antonio, 2001). This measurement of the liquidity ratio compares the composition of all financing provided by banks to the Bank's capital (Kasmir, 2012). The lower the LDR ratio, the better its liquidity condition and the Bank's ability to pay (Dendawijaya, 2009). The FDR ratio regulated by the Indonesian Financial Services Authority with guideline number 3 / POJK.03 / 2016 is in the range between 78 % to 100%. If the ratio is below this figure, it is considered that the Bank is less effective in channeling financing. This ratio means that the Bank's ability to circulate funds in order to generate low profits. Conversely, if the FDR ratio is too high, it is estimated to exceed 100%, the Bank's liquidity condition is vulnerable and has a high risk of meeting its obligations. FDR is measured from the total amount of Islamic banking financing divided by the Bank's total third-party funds. (Muhammad, 2005). There have been many studies on liquidity (FDR) and its effect on profitability (ROA) with significant results, namely conducted by (Farooq et al., 2015); (Malik et al., 2014b); (Chou & Buchdadi, 2016); (Hantono, 2017); (Sabir et al., 2012); (Supriyono & Herdhayinta, 2019); (Alshatti, 2016), and (Abbas et al., 2019). Research (Pramuka, 2010); (Sawitri, 2018) provides that FDR results do not have a significant effect on ROA, while research (A. S. Rifqah & Hassan, 2019) shows that FDR results have a significant effect on ROA but are negative.

Credit Risk

Credit risk, in this case, is termed financing risk in Islamic banking. The risk of financing is caused by the debtor's inability or other external parties to pay off their obligations to the Bank. Several factors causing debtor failure include non-current business, irresponsible character of the debtor, or the existence of a financing agreement process that is not under procedures (Ikatan Bankir Indonesia, 2015).

Research must be carried out before the Bank carries out the financing agreement to reduce the risk of non-performing financing (NPF). The Indonesian Financial Services Authority has set a safe limit for the NPF ratio with regulation number 3 / P OJK.03 / 2016, which is in the maximum range of 7 % of the total financing managed by banks.

NPF (Non-Performing Financing) is calculated by adding up all non-performing loans divided by the total bank financing. (Ikatan Bankir Indonesia, 2015). High non-performing loans indicate a high risk of losing bank profits and good bank performance. On the other hand, low non-performing loans support bank performance to increase income. Thus the NPF is considered to affect the profitability ratio (ROA) as in research (A. Rifqah & Hassan, 2019); (Pihie & Sani, 2009); (Sharma, 2018); (Zahrah et al., 2019); (Yoppy & Purbaningsih, 2014) ; (Anggreni & Suardhika, 2014); (Amelia, 2015); (Pramuka, 2010); (Hantono, 2017); (Nahar & Prawoto, 2017) and (Kinanti, 2017). However, some studies conclude that NPF does not affect ROA (Sabir et al., 2012).

Operational Risk

Several factors, such as managerial mismanagement, ineffective systems, human resource errors, or external factors, interfere with a bank's operations (Masyhud, 2006). This risk is calculated as operational risk, which is the risk of bank management loss because the bank factor is less than optimal in operating efficiency and effectiveness. As with the CAMEL approach, operational risk is calculated by the ratio between operating costs and operating income. The lower the operating ratio indicates the Bank is performing well, and the lower its operating losses. (Hayati, 2017) .

The maximum limit for operational banking ratios regulated by the Indonesian financial services authority under guideline number 3 / POJK.03 / 2016 is 94%. (Ikatan Bankir Indonesia, 2015). Banking is considered inefficient if the value of the operational ratio (BOPO) exceeds this maximum limit. The higher the banking operational costs, the lower the profit from the Bank. Operational risk is measured by the ratio between the Bank's operating expenses divided by its operating income. (Suyanto, 2016). The conclusion of research on BOPO affects the amount of profitability (ROA), among others, carried out by (Sudiyatno, 2013); (Nahar & Prawoto, 2017); (Amelia, 2015); (Chou & Buchdadi, 2016); (Sabir et al., 2012) while (Malik et al., 2014a) concluded the opposite that BOPO does not have a significant effect on Bank ROA.

Third-party funds

In the banking business, there is a term known as liability management. Liability management is a process by which a bank manages sources of funds from third parties (the public) on the money market or by issuing debt securities to fulfill bank operational activities, including lending. (Hadinoto, 2008).

The Bank's TPF or Third Party Funds' explanation is the Bank's liabilities both in rupiah and in foreign currency to residents and non-residents (Indonesian Bankers Association, 2016). Third-party funds from banks are funds sourced from the wider community and are an essential source for bank operational activities and measure the success of a bank if the Bank can bear its operational costs from this source of funds. (Kasmir, 2012) .

In its book Risk-Based Bank Health Management, the Indonesian Bankers Association conveyed the composition of third party funds consisting of non-core deposits divided by total third party funds from banks. Explanation of non-core deposits consists of demand deposits, savings, and time deposits that are not guaranteed by the Deposit in Indonesia with nominal greater than Rp. 2 billion. Total third party funds are the totals of non-bank third party funds in demand deposits, savings, and time deposits. Research (Sawitri, 2018) ; (Ditta, 2020) concluded that Third Party Funds have a significant positive effect on ROA.

Research and Methodology

The research is supported by secondary data such as Islamic banks obtained from www.ojk.go.id. Period 2015 -2019. Data were collected using time series, namely quarterly financial reports. The sample consists of 13 Indonesian Sharia Commercial Banks registered with the OJK with complete financial reports. Data that were successfully analyzed after deducting incomplete data and abnormal data totaled 129.

This study uses a regression test on several independent variables (x) on the dependent variable (y). The analysis model used is multiple linear regression (multiple regression analysis models). The analysis technique used in this research is multiple linear regression analysis. Multiple linear regression analysis, namely the measurement of the relationship between two variables or several variables that have a related direction and are assumed to be random, means they have a probabilistic distribution (Ghazali, 2016). The following regression equation is used:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} - \beta_4 X_{4it} + \beta_5 X_{5it} + e_{it}$$

Information :

Y: Financial Performance (ROA)

i: Islamic banking in Indonesia

t: Year of research

α : Constants / Intercept

β : Regression Coefficient

X_1 : Capital Ratio (CAR)

X_2 : Liquidity Ratio (FDR)

X_3 : Credit Risk (NPF)

X_4 : Operational Ratio (BOPO)

X_5 : Third Party Fund (TPF)

e: Estimator error rate in research

While the hypothesis in this study is:

- i. The ratio of bank capital using the Capital Adequacy Ratio indicator has a significant positive effect on performance (ROA) Banking General Sharia period 2015 -2019 in Indonesia.
- ii. The bank liquidity ratio using the Financing Debt Ratio indicator has a significant positive effect on the performance (ROA) of Islamic Commercial Banking for the 2015-2019 period in Indonesia.
- iii. Bank financing ratios using the Non-Performing Financing Ratio indicator have a significant adverse effect on the performance (ROA) of Islamic Commercial Banking for the 2015-2019 period in Indonesia.
- iv. The Bank's operational ratio using the operational ratio indicator on bank income has a significant negative effect on the performance (ROA) of Islamic Commercial Banking for 2015-2019 in Indonesia.
- v. The ratio of bank third party funds has a significant positive effect on the performance (ROA) of Islamic Commercial Banking for the period 2015-2019 in Indonesia.

Multiple linear analysis requires testing the validity and reliability of data with classical assumptions. Classic assumption testing is used to determine the feasibility of the regression model. This test includes testing data normality, testing to determine the multicollinearity of data, testing for the presence of data autocorrelation, and finally, testing the heteroscedasticity of research data. (Ghazali, 2016).

Findings

The data analysis process through the initial stage of the data normality test using the Kolmogorov-Smirnov method obtained the sig value is equal to 0,200, as shown in table 1. Therefore, it is concluded that the research data is normal because it meets the standard greater than 0.05. (Ghazali, 2016).

Table 1: Normality Test.

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	129
Normal Parameters^{a,b}	-.0389634
	.35537830
Most Extreme Differences	.052
	.052
	-.027
Test Statistic	.069
Asymp. Sig. (2-tailed)	.200 ^{c,d}

Likewise, with the data test to see whether there is multicollinearity data as shown in table 2, the Tolerance value > 0.1 is obtained, while the VIF value is <10, which concludes there is no multicollinearity symptom. (Santoso, 2012).

Table 2: Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
CAR	.710	1,408
FDR	.779	1,284
NPF	.599	1,670
BOPO	.527	1,898
TPF	.742	1,347

a. Dependent Variable: ROA

Next is the test data with the autocorrelation test as a table 3. result value test Durbin Watson was 1.014. This value lies between -2 and 2, so it is stated that there is no autocorrelation of data (Santoso, 2012).

Table 3: Autocorrelation Test

Model Summary^b		
Model	Std. Error of the Estimate	Durbin-Watson
1	11.56188	1.014
a. Predictors: (Constant), TPF, NPF, FDR, CAR, BOPO		
b. Dependent Variable: ROA		

Heteroscedasticity Test

In table 4 stated that the independent variable's significance value is more significant than 0.05, indicating normal data and not experiencing heteroscedasticity. (Santoso, 2012).

Table 4: Heteroscedasticity Test

Model	Standardized Coefficients		t	Sig.
	Beta			
1	(Constant)		1,487	.139
	CAR	.006	.059	.953
	FDR	.174	1,744	.084
	NPF	-.025	-.217	.828
	BOPO	-.168	-1,387	.168
	TPF	-.069	-.677	.500
a. Dependent Variable: abs_res2				

Continuous process after the data is declared normal, multicollinearity does not occur, autocorrelation is normal, and heteroscedasticity does not occur, then a regression test can be performed. The test results of the multiple regression test are as mentioned below :

$$ROA = 968,600 + 0.007CAR + 0.002FDR - 0.029NPF - 0.103BOPO + 0.010TPF$$

The equation above shows the constant value of Return on Assets is 968,600. The regression coefficient of Capital Adequacy Ratio is 0.007 in a positive direction indicates that every 1% increase in Capital Adequacy Ratio will affect increasing the value of Return on Assets by 0.007 %. This increase using assumptions variable than that fixed.

The next result shows a positive coefficient of Financing Debt Ratio of 0.002, which means that an increase in FDR of 1% affects ROA in a positive direction of 1.002%. For the value of third-party funds, a positive result was obtained of 0.010, which means that it has a positive increase in ROA of 0.010% for every 1% increase in third-party funds. The regression results for operational ratio (BOPO) and non-performing financing ratio (NPF) test have negative results of 0.103 for BOPO and 0.029 for NPF in the reverse direction. These results show the impact of a decrease in operating ratio and the ratio of the troubled financing of 1% increase ROA respectively 0,103 %, and 0.029%.

Table 5. is a test of the coefficient of determination, which shows the simultaneous relationship of all variables. Simultaneous test variables in this study seen from the Adjusted R Square value results are 0,944. It can be concluded that 94.4 % percent of the ROA of Islamic banking in Indonesia in this study period was influenced by the CAR, FDR, NPF, BOPO, and TPF variables, while other variables influenced the rest.

Table 5: Model Summary

Model	R	R square	Adjusted R Square	Std. Error of the Estimate
1	.973a	.946	.944	11.56188
a. Predictors: (Constant), TPF, NPF, FDR, CAR, BOPO				

Furthermore, the T-test is carried out to see the effect of the independent variable on the dependent variable, as shown in Table 6 below :

Table 6: T-test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	968.600	45.633		21.226	.000
	CAR	.007	.003	.053	2.139	.034
	FDR	.002	.000	.089	3.750	.000
	NPF	-.029	.012	.066	2.440	.016
	BOPO	-.103	.003	-1.030	-35.713	.000
	TPF	.010	.010	.024	.986	.326
a. Dependent Variable: ROA						

The T-test (table 6) show that CAR results have a significant effect on ROA with a sig value of $0.000 < 0.05$. Likewise, with the FDR, NPF, and BOPO values. The TPF sig value is more significant than 0.05.

Hypothesis Test 1

The T-test results on hypothesis 1, namely the Capital Adequacy Ratio, significantly affect Return on Assets, indicating that hypothesis 1 is accepted. Thus the results of the hypothesis 1 test support the research (Sharma, 2018); (Chou & Buchdadi, 2016); (Handayani et al., 2019) and (Abbas et al., 2019). With sufficiently good capital, banks have the flexibility to develop their business and generate good profits for their business. Conversely, limited capital disrupts the development of banking businesses.

Hypothesis Test 2

Testing hypothesis 2 that the Financing Debt Ratio (FDR) has a significant positive effect on Return on Assets (ROA) is accepted. These results are the same as research conducted by (Supriyono & Herdhayinta, 2019), (Alshatti, 2016), and (Abbas et al., 2019) with significant positive results. The banking liquidity aspect is considered to provide security guarantees for customers and increase customer confidence. With adequate liquidity, banks are also free to move to develop their business and improve their performance.

Hypothesis Test 3

The third hypothesis is that the ratio of problem financing (NPF) significantly affects a negative direction on Return on Assets (ROA) is accepted through hypothesis testing. This result supports research (A. Rifqah & Hassan, 2019); (Pihie & Sani, 2009); (Sharma, 2018) and (Zahrah et al., 2019). According to the theory, the large number of problematic financing will disrupt liquidity and reduce the ability of banks to earn profits (Ikatan Bankir Indonesia, 2016)

Hypothesis Test 4

A significant negative effect on ROA was then obtained from BOPO. In general, businesses that have effective operating costs will support the business to generate optimal profits. The results of this study support the research (Zahrah et al., 2019); (Amelia, 2015) and (Chou & Buchdadi, 2016).

Hypothesis Test 5

The test results of the effect of Third Party Funds (TPF) on ROA have a significance of 0.326, so hypothesis 5 is rejected. These results are the same as (Rindhatmono, 2005); (Sari & I Mei Murni, 2017). This condition is thought to be possible because Islamic banking in Indonesia has not raised maximum funds from the public compared to conventional banking. As can be compared to the market share data between Islamic banking and conventional banking in Indonesia.

Simultaneously, the five variables affect the performance (ROA) of Islamic Commercial Banks in Indonesia for the 2015-2019 period, so hypothesis 6 is accepted. The simultaneous effect test can be seen in table 7.

Table 7: F test

ANOVA ^a		
Model	F	Sig.
1		
Regression	432.073	.000b
Residual		
Total		
a. Dependent Variable: ROA		
b. Predictors: (Constant), TPF, NPF, FDR, CAR, BOPO		

Conclusion

With the F test results, it can be concluded that the five variables above have a simultaneous effect on ROA with a determination coefficient of 94.4 %. Thus, to maintain Islamic banking performance in Indonesia, it is recommended to maintain indicators of capital adequacy, liquidity, seek strategies to reduce non-performing loans, and the final step is to carry out operational efficiency. Several government policies have been implemented to help national banks remain favorable during the Covid pandemic. Through the Financial Services Authority, the government has issued regulations on federal economic stimulus as a measure to anticipate the impact of the spread of Covid 19 by issuing POJK No. 11 / POJK.02 / 2020.

The Indonesian government's policies consist of reducing credit interest rates, extending the credit period up to 1 (one) year, reducing arrears of principal and loan interest to specific borrowers, adding credit facilities, and converting credit to temporary equity participation (OJK, 2020). This policy is claimed to be one of the steps to save banking liquidity and reduce the risk of non-performing loans.

The test of the effect of third-party funds on Islamic banking performance in this study does not have a significant effect. However, to strengthen Indonesian Islamic banking's position to remain stable, the aspect of collecting third party funds must be considered. The accumulation of these funds contributes to the Bank's ability to channel credit to the public and profits for the Bank.

The significance of the operational cost aspect is the result of many studies on bank health. Therefore, management's attention to this aspect strongly supports the sustainability of Islamic banking in Indonesia in the face of a pandemic.

This research has not been able to show differences in the performance of Islamic banking in Indonesia before and after the Covid pandemic. Information about internal and external conditions, challenges during a pandemic are certainly different from normal conditions. Management must be alert to these unpredictable conditions. Further research can take data after the pandemic, measuring the performance of Islamic banking to evaluate the management strategy of Islamic banking in Indonesia in the face of a crisis.

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